

**MINUTES  
SPECIAL MEETING  
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**Thursday, May 14, 2009  
1:00 P.M., MST**

The Arizona State Retirement System (ASRS) Board met in the 10<sup>th</sup> Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. Michael Townsend, Chair of the ASRS Board, called the meeting to order at 1:08 P.M., MST.

The meeting was NOT teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

**1. Call to Order; Roll Call; Opening Remarks**

Present: Mr. Michael Townsend, Chair  
Mr. Dave Byers, Vice-chair  
Mr. Chris Harris  
Mr. Jaime Gutierrez  
Dr. Keith Meredith  
Mr. Larry Trachtenberg  
Mr. Steve Zeman  
Mr. Tom Connelly  
Mr. Jim McLaughlin

Absent: None

A quorum was present for the purpose of conducting business.

**2. Presentation and Discussion Regarding the Structure and Administration and Investments of the ASRS**

Mr. Keith Brainard, Research Director, National Association of State Retirement Administrators; Ms. Jan Hartford, Director, CEM Benchmarking Inc.; Mr. Charlie Chittenden, Actuary, Buck Consultants; Mr. Terry Dennison, Worldwide Partner, Mercer Investment Consulting; and Mr. Erik Knutzen, Chief Investment Officer, New England Pension Consultants were present to assist the Board with a discussion of the ASRS Plan. Question and answer sessions involving Trustees and staff followed each presentation.

Mr. Brainard's presentation compared public sector retirement benefits. He also gave an overview of the value of defined benefit (DB) plans, sharing the strengths, weaknesses, threats and opportunities of DB plans.

Ms. Hartford explained that CEM tracks public sector funds. She discussed the trends among pension funds and also provided statistics as to how the ASRS compares in many of the items CEM measures.

Mr. Chittenden discussed the features of the ASRS funding and how the ASRS plan differs from most public sector plans. Also provided was a summary of actuarial methods and assumptions.

Mr. Jim McLaughlin left the meeting at 3:55 P.M.

Mr. Terry Dennison presented on the capital market outlook. Mr. Dennison provided an outlook for fixed income and equity returns and also discussed current investment conditions with the Trustees and staff.

Mr. Erik Knutzen discussed five to seven-year investment forecasts, enhancing the asset allocation process, and opportunity and risk management.

Mr. Chris Harris left the meeting at 5:07 P.M.

### **3. Presentation, Discussion and Appropriate Action with Respect to Review of the ASRS Governance Handbook**

The Board Governance Handbook states that as part of the governance process the Handbook will be reviewed by the Board at least annually or more often if necessary. Per that direction in the Handbook, Mr. Paul Matson, Director, presented changes to the Board Governance Handbook based upon discussions held with the Investment Committee; the Chairs of the Operations Committee and External Affairs Committees, as well as staff recommend changes.

**Motion:** Mr. Steve Zeman moved to accept the recommended changes to the Board Governance Policy except the change indicated on page 15 of the handbook.

Mr. Tom Connelly seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

### **4. Presentation, Discussion and Appropriate Action with Respect to the Revision of the Securities Litigation Policy**

Mr. Matson presented recommended changes to the Securities Litigation Policy which was first approved by the Board on April 18, 2008, and implemented by staff over the past year. The revisions, recommended by the Investment Committee, clarify the process for the review of material from, and ongoing interaction with the ASRS security litigation legal counsel firms.

**Motion:** Mr. Steve Zeman moved to accept the recommended changes made to the Securities Litigation Policy.

Mr. Tom Connelly seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

### **5. Call to the Public**

No members of the public addressed the Board.

### **6. The next ASRS Board meeting is scheduled for Friday, May 15, 2009, at 8:30 a.m., at 3300 N. Central Avenue, 10th Floor Board Room, Phoenix, Arizona.**

### **7. Adjournment of the ASRS Board**

Mr. Townsend adjourned the Board meeting at 5:22 P.M.

ARIZONA STATE RETIREMENT SYSTEM